

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1252-01
Bill No.: HB 528
Subject: Tax Credits; Business and Commerce
Type: Original
Date: February 16, 2015

Bill Summary: This proposal would authorize a tax credit for a qualified small business that receives the Baldrige National Quality Award.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue		\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)
	(\$37,800)		
Total Estimated Net Effect on General Revenue	(\$37,800)	\$0 or (Up to \$1,000,000)	\$0 or (Up to \$1,000,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 135.1785. 1. RSMo, Tax Credit for National Quality Award Recipient:

This proposal would authorize a \$1 million tax credit for a qualifying Missouri small business that receives a Baldrige National Quality Award for the first time after January 1, 2016.

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a similar proposal in the previous session (HB 2188, LR 6344-02), officials from the **Office of Administration - Division of Budget and Planning (BAP)** assumed the proposal would impact the calculation required under Article X, Section 18(e) of the Missouri Constitution.

In response to a similar proposal in the previous session (HB 2188, LR 6344-02), officials from the **Department of Revenue (DOR)** assumed the proposal would reduce Total State Revenue.

DOR officials did not indicate an administrative cost for the proposal, and Oversight assumes any costs to implement this proposal could be absorbed with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement the proposal based on 504 hours to make changes to DOR systems.

Oversight notes the IT cost for 504 hours of programming at the state contract rate of \$75 per hour would be $(504 \times \$75) = \$37,800$ and will include that cost in this fiscal note.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** stated they could not provide an estimate of the fiscal impact for a similar proposal in the previous session (HB 2188, LR 6344-02).

ASSUMPTION (continued)

Officials from the **Department of Economic Development** assume a similar proposal in the previous session (HB 2188, LR 6344-02) would have no fiscal impact on their organization and deferred to the Department of Revenue for an estimate of the fiscal impact of the proposal.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Office of the State Treasurer** assumed a similar proposal in the previous session (HB 2188, LR 6344-02) would have no fiscal impact on their organizations.

Oversight has reviewed the recent history of the Baldrige Award program.

Year	Number of Winners	Number of Winners in Missouri
2014	4	0
2013	2	0
2012	4	0
2011	4	1
2010	7	1
2009	5	3
2008	3	0
2007	5	0

Oversight has briefly reviewed the Missouri winners and notes one would appear to have qualified for the tax deduction if the program had been in existence when that organization received its award.

Oversight assumes this tax credit would not likely be claimed every year and for fiscal note purposes will indicate an impact of \$0 or a revenue reduction up to \$1,000,000 per year for the General Revenue Fund. Oversight notes this proposal does not include an annual limit for the credits which could be created and assumes the fiscal impact could be more than \$1,000,000 in any one year but no more than \$5,000,000 in total, for all fiscal years.

ASSUMPTION (continued)

Oversight also notes the first year an eligible recipient could receive a tax credit would be 2016, and for fiscal note purposes will indicate the potential revenue reduction beginning in FY 2017 when tax returns for 2016 would be filed. Oversight is aware that some taxpayers would adjust their estimate tax payments in anticipation of a tax credit, but for fiscal note purposes will indicate the impact in the year the tax returns would be filed.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - Department of Revenue</u>			
IT cost			
Section 135.1785.1	(\$37,800)	\$0	\$0
<u>Revenue reduction - tax credits</u>	<u>\$0</u>	\$0 or (Up to <u>\$1,000,000</u>)	\$0 or (Up to <u>\$1,000,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$37,800)</u>	<u>\$0 or (Up to \$1,000,000)</u>	<u>\$0 or (Up to \$1,000,000)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses that receive the Baldrige National Quality Award.

FISCAL DESCRIPTION

This proposal would authorize a tax credit of \$1 million for a business that received a Baldrige National Quality Award for the first time after January 1, 2016.

Eligible businesses would be privately held and organized for-profit with fewer than 500 employees, have operated in Missouri for at least five consecutive years, and its owners would have been Missouri residents for at least five years.

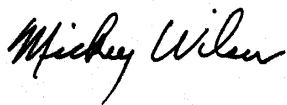
The credit would not be refundable and could not be sold or transferred, although it could be carried forward up to five consecutive tax years.

The provisions of the bill would expire after five qualified businesses have received a Baldrige award or December 31, 2021, whichever is earlier.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of the State Treasurer
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center



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